

Message Text

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FM SECSTATE WASHDC
TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 086645

LIMDIS; PASS USADB FOR AMBASSADOR ON-Y

E.O. 11652: GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
APRIL 4, 1978

1. US-ASEAN DIALOGUE (LIMITED OFFICIAL USE)

WE ARE WITNESSING AGAIN THE PROBLEM OF ASEAN COORDINATION.
THE STANDING COMMITTEE WHICH WOULD PRESUMABLY RESPOND
OFFICIALLY TO OUR PROPOSAL FOR A MINISTERIAL LEVEL
MEETING NOW SUGGESTED FOR JULY 24-25, HAS AGAIN POSTPONED
ITS MEETING FROM APRIL 5-7 TO AN UNCERTAIN DATE. ROMULO
ANNOUNCED PUBLICLY AT THE FIRST ASEAN PUBLIC RELATIONS
CONGRESS IN MANILA THAT THE SECOND US-ASEAN MEETING WILL
BE HELD IN JULY IN WASHINGTON AT THE MINISTERIAL LEVEL
WITH THE PARTICIPATION OF PRESIDENT CARTER. BUT KUALA
LUMPUR REPORTS THAT THE MALAYSIANS ARE SURPRISED BY
ROMULO'S STATEMENT AND THEY ARE UNDER THE IMPRESSION
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THAT NOT ALL ASEAN MEMBERS HAVE SIGNALLED THEIR AGREEMENT.

A LETTER FROM THE SECRETARY TO SECRETARY BLUMENTHAL
TENTATIVELY INVITING HIM TO CHAIR THE MEETING ON JULY 25
IS ON ITS WAY.

A LETTER SIGNED BY DICK COOPER AS ACTING SECRETARY TO

DR. LESHER, PRESIDENT OF THE US CHAMBER OF COMMERCE, STATING THAT A FAVORABLE DECISION BY THE US CHAMBER TO SET UP A BILATERAL ECONOMIC COUNCIL UNDER THE AUSPICES OF THE ASEAN CCI AND THE US CHAMBER WILL HAVE THE ENDORSEMENT AND SUPPORT OF THE DEPARTMENT OF STATE, WAS FORWARDED ON MARCH 29.

REPLIES TO THE 11 ASEAN MEMORANDA HAVE BEEN COMPLETED IN DRAFT. A COUPLE OF THEM AWAIT INTERAGENCY CLEARANCE. WE HOPE TO HAVE THE PACKAGE IN MR. COOPER'S OFFICE SHORTLY AND HOPEFULLY WE CAN DELIVER THEM BY THE END OF THE WEEK.

2. ADB RELATIONS WITH VIETNAM (CONFIDENTIAL)

THE SRV IS REFUSING TO PAY OUTSTANDING OBLIGATIONS TO THE ADB, CURRENTLY AMOUNTING TO 65,000 DOLLARS, UNTIL ITS SUSPENDED LOAN PROJECTS ARE REACTIVATED. PRESIDENT YOSHIDA IS SENDING A LETTER TO THE SRV INDICATING THAT ALL ARREARAGES MUST BE PAID BEFORE ANY LOANS CAN BE REACTIVATED. BUT, YOSHIDA IS FEARFUL THAT THE SRV IS ADAMANT AND BELIEVES THAT HANOI MISTRUSTS THE BANK BECAUSE IT HAS DELAYED REACTIVATING ITS LOANS. SEVERAL EDS HAVE PROPOSED THAT THE BANK REACTIVATE THE SAIGON POWER PROJECT AND IT SEND A MISSION TO VIETNAM TO CONSIDER

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REACTIVATION OF OTHER OUTSTANDING LOANS. THESE EDS HOWEVER, WANT TO AVOID TRYING TO RESOLVE THIS ISSUE AT THE FORTHCOMING ANNUAL MEETING BECAUSE THE CONTROVERSY MIGHT BECOME PUBLIC. THIS COULD IMPEDE A FAVORABLE DECISION ON THE ASIAN DEVELOPMENT FUND REPLENISHMENT.

3. ATTEMPTS TO PRESSURE JAPAN TOWARD UNTIED AID NOT VERY SUCCESSFUL (LIMITED OFFICIAL USE)

WE HAVE RECENTLY QUERIED EMBASSY TOKYO AND SOME SEA POSTS REGARDING UNTIED JAPANESE AID. THE RESULTS ARE NOT ENCOURAGING. ALTHOUGH A 130 MILLION DOLLAR JAPANESE AID PACKAGE TO THAILAND IS THEORETICALLY UNTIED MOST OF THE PROCUREMENT WILL COME FROM JAPAN OR FROM THAI COMPANIES. SOME OF THE PROJECT PLANS AND SPECIFICATIONS WERE DRAWN UP BY JAPANESE COMPANIES AND JAPANESE FIRMS ARE EXPECTED TO HAVE COMPETITIVE ADVANTAGE. EMBASSY TOKYO REPORTS THAT THE INDONESIAN-ASEAN PROJECT AS WELL AS OTHER ASEAN PROJECTS TO WHICH THE GOJ COMMITTED CONDITIONALLY ONE BILLION DOLLARS, WILL BE PARTLY PRIVATELY FINANCED AND THEREFORE IT IS UNLIKELY THAT THESE LOANS WILL BE UNTIED.

4. MTN SAFEGUARDS AGREEMENT: SELECTIVE USE OF SAFEGUARDS (CONFIDENTIAL)

INTERAGENCY AGREEMENT ON A US POSITION ON THE SELECTIVE USE OF SAFEGUARDS WAS WORKED OUT AT MARCH 30 TRADE POLICY COMMITTEE MEETING, AND RESULTING POSITION PAPER WAS CABLED TO US MISSION GENEVA FOR CONSULTATIONS WITH JAPAN AND THE EC. AT STAKE IS WHETHER SAFEGUARD AGREEMENT MEMBERS MAY DEPART FROM THE MOST-FAVORED-NATION PRINCIPLE AND APPLY IMPORT RESTRICTIONS SELECTIVELY IN SAFEGUARD ACTIONS, AND IF SO, UNDER WHAT LIMITATIONS. JAPAN AND THE EC ARE FAR APART ON THIS ISSUE. WHILE FUNDAMENTALLY OPPOSING SELECTIVITY, JAPAN HAS PRIVATELY INDICATED TO THE US IT COULD ACCEPT IT WITH SEVERE LIMITATIONS. THE EC SEEKS MORE RELAXED (SO FAR UNSPECIFIED) LIMITATIONS, AND JAPAN FEARS THE US WILL STRIKE A DEAL WITH THE EC. THE US
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POSITION WOULD ALLOW SELECTIVITY, BUT WITH LIMITATIONS JUDGED TO BE AS STRICT AS THE FACILITY COULD BEAR AND STILL BE USABLE. THE DEPARTMENT HAS INSISTED UPON CONSULTATIONS WITH JAPAN AS PART OF THE NEXT STEP.

5. COMMODITIES AND COMMON FUND (CONFIDENTIAL)

A. TIN: WITH THE NEXT INTERNATIONAL TIN COUNCIL (ITC) MEETING SCHEDULED FOR APRIL 10-14, THE US IS APPROACHING GOVERNMENTS IN BOTH CONSUMER AND PRODUCER COUNTRIES SEEKING TO DEFER CONSIDERATION OF THE PRODUCERS' CONTROVERSIAL REQUEST FOR AN INCREASE IN THE PRICE RANGE OF THE TIN AGREEMENT UNTIL THE JULY MEETING. WE CONTENT THAT BY JULY WE MAY HAVE A CLEARER PICTURE OF WHAT IS NOW A CONFUSED MARKET, REFLECTING IN PART UNCERTAINTY AS TO LIKELY US CONGRESSIONAL ACTION ON GSA TIN DISPOSALS. IF WE ARE UNABLE TO DEFER THIS ISSUE UNTIL JULY, THE APRIL MEETING IS LIKELY TO BE A REPEAT OF THE CONFRONTATIONAL JANUARY SESSION. IN THE ONLY REACTION SO FAR, THE MALAYSIANS WERE NONCOMMITAL, BUT INDICATED SOME APPRECIATION OF OUR POSITION.

B. RUBBER: AS PART OF THE PREPARATIONS FOR A NEGOTIATING CONFERENCE FOR A RUBBER AGREEMENT PLANNED FOR NOV.-DEC. THIS YEAR, A FIELD WORKSHOP AND CONSUMER/PRODUCER CONSULTATION ON RUBBER WILL BE HELD MAY 7-19 IN SOUTHEAST ASIA. PARTICIPANTS WILL VISIT RUBBER PRODUCTION, PROCESSING AND MARKETING FACILITIES IN THAILAND, MALAYSIA AND SINGAPORE AND CONCLUDE WITH A THREE DAY CONFERENCE IN KUALA LUMPUR. WHILE WE HAVE NOT OFFICIALLY RESPONDED TO THE INVITATION AS YET, THE US WILL PARTICIPATE.

C. ZINC: THE FRENCH, WITH THE SUPPORT OF SEVERAL OTHER EUROPEAN GOVERNMENTS, HAVE CALLED FOR CONVENING OF AN EXTRAORDINARY SESSION OF THE LEAD AND ZINC STUDY GROUP. THE FRENCH MOVE IS PROMPTED BY CONCERN OVER THE US ZINC INDUSTRY'S PENDING ESCAPE CLAUSE ACTION AND REPORTS THAT
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JAPAN AND SEVERAL EUROPEAN COUNTRIES ARE ALSO UNDER PRESSURE TO TAKE RESTRICTIVE ACTIONS ON ZINC IMPORTS IN THE FACE OF THE SERIOUSLY DEPRESSED STATE OF THE WORLD ZINC TRADE. THE US IS AGREEABLE TO THE IDEA OF CONVENING AN EXTRAORDINARY SESSION, BUT HOPES TO DELAY THE MEETING UNTIL JUNE WHEN THE INTERNATIONAL TRADE COMMISSION'S PRELIMINARY REPORT ON THE ESCAPE CLAUSE ACTION WILL BE AVAILABLE. AUSTRALIA AND TO LESSER EXTENT THAILAND ARE THE CONCERNED EA PRODUCERS.

D. TUNGSTEN: THE US IS SEEKING THE SUPPORT OF OTHER KEY CONSUMER NATIONS FOR A FIRM STANCE AGAINST AN AUSTRALIAN/BOLIVIAN PROPOSAL FOR CONVENING A NEGOTIATING CONFERENCE ON TUNGSTEN WHICH IS SCHEDULED TO BE TAKEN UP BY THE TRADE AND DEVELOPMENT BOARD (TDB) ON APRIL 4. THE US IS PREPARED TO INDICATE IN ADVANCE OR AT THE MEETING THAT WE WILL NOT PARTICIPATE IN SUCH A CONFERENCE AND HOPES THAT A SIMILARLY STRONG STANCE BY OTHER KEY CONSUMER NATIONS WILL HELP FORESTALL A VOTE OR THE CALLING OF A CONFERENCE. AS A COUNTER PROPOSAL, THE US, THE UK, THE FRG, SWEDEN AND JAPAN HAVE PROPOSED THAT A GROUP BE ESTABLISHED TO DRAFT A CHARTER FOR A PRODUCER/ CONSUMER FORUM. WE ARE ALSO WILLING TO HAVE TUNGSTEN ISSUES RECOMMITTED TO THE TUNGSTEN COMMITTEE FOR FURTHER STUDY, ALTHOUGH WE WOULD NOT PARTICIPATE IN FURTHER STUDY OF THE AUSTRALIAN/BOLIVIAN PROPOSAL WHICH WE BELIEVE HAS ALREADY BEEN REVIEWED EXHAUSTIVELY. BESIDES AUSTRALIA, KOREA, PRC AND THAILAND ARE TUNGSTEN PRODUCERS.

E. COMMON FUND: IN THE VIEW OF NEW ZEALAND OFFICIALS, A COMMONWEALTH COUNTRIES MEETING ON THE COMMON FUND SCHEDULED FOR APRIL 13-14 IN LONDON COULD RESULT IN SOME EROSION OR ALTERATION OF PRESENT SUPPORT FOR THE GROUP B POSITION. THIS SPECULATION IS BASED ON THE PRESSURE CREATED BY AUSTRALIA'S RECENT SHIFT IN ITS POSITION WHEREBY THE GOA NOW SUPPORTS IN PRINCIPLE BOTH DIRECT
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CONTRIBUTIONS AND A SECOND WINDOW. THIS POSES A PARTICULAR DILEMMA FOR THE GNZ WHICH HAS A STRONG INCLINATION TO STAY IN THE MIDDLE OF GROUP B ON THIS ISSUE BUT ALSO WISHES TO FOSTER TRANS-TASMAN COOPERATION.
6. BRINGING ADVANCED LDCS INTO EXPORT CREDIT
CONSENSUS (LIMITED OFFICIAL USE)
THE DEPARTMENT HAS ASKED POSTS IN ADVANCED LDCS WHICH

PROVIDE OFFICIAL EXPORT CREDITS, INCLUDING KOREA AND CREDIT PROGRAMS WITH A VIEW TO BRINGING THEM EVENTUALLY INTO THE CONSENSUS.

7. US-ASEAN DIALOGUE: DEVELOPMENT COOPERATION
(LIMITED OFFICIAL USE)

SUBSEQUENT TO THE DRAFTING OF FIRST ITEM WE RECEIVED REPORT FROM MANILA THAT ASEAN IS TENTATIVELY PLANNING TO MEET WITH US TEAM IN A JOINT WORKING GROUP IN MANILA (RATHER THAN IN WASHINGTON) ON MAY 30-31. MRS. MANALO WELCOMED OUR RECENT AID MEMOIRE ON DEVELOPMENT COOPERATION AND SAID THAT GOP WAS CONSIDERING PROJECTS SIMILAR TO THOSE SUGGESTED BY USG, ADDING HOWEVER AN ITEM ON SHIPPING/TRADE WHICH MAY GIVE US PROBLEMS IN TERMS OF FITTING INTO THE BHN MANDATE.

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